

Factors Affecting the Liquidity of Commercial Banks

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Abstract

The article discusses the factors affecting the liquidity of commercial banks. The liquidity of a bank depends not only on the internal but also on external factors, for example, the level of development of market relations in different segments of the economy, the activities of the Central Bank. Also, the rational allocation of resources in terms of profitability has a positive impact on the financial stability of banks, in particular, on liquidity. At the same time, the low quality of loans issued by banks, the increase in the volume of problem loans have a negative impact on bank liquidity. This, in turn, indicates that there are certain shortcomings in the bank's credit policy. In the management of the liquidity of a commercial bank, it is advisable to take effective measures to eliminate their negative effects, making them the object of constant monitoring.

Keywords and phrases: commercial banks, liquidity, internal and external factors, factors, banking sector, management, assets, liabilities, credit.

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It is known that the activities of commercial banks are mainly focused on earning income. At the same time, the banking sector performs a number of important functions: providing and supporting loans to the population and enterprises, stimulating the accumulation of funds in the national economy, stimulating the mediation of payments, transfers and financial transactions, and the effective distribution of investment resources, therefore, the emergence of complex situations in the banking sector should not be allowed to happen, otherwise it will have a negative impact on the general condition of the entire economy. Introduction of modern principles and mechanisms regulating banking activity in the established state program for the implementation of the Decree of the President of the Republic of Uzbekistan dated February 7, 2017 "On the Strategy of Actions for the Further Development of the Republic of Uzbekistan" approved by No. PF-4947, eliminating obstacles that prevent their effective operation task is recorded. At the same time, liquidity regulation operations of the Central Bank in support of the republican banking system in the context of the pandemic were carried out primarily by providing the necessary liquidity to commercial banks.

Therefore, the liquidity of a commercial bank as one of the main quality indicators of banking activity, which determines its reliability and stability, serves as a basis for the component of the credit and banking sector in the economy.

It should be noted that the bank's liquidity is a complex indicator. In addition, the liquidity of commercial banks is characterized by concepts such as financial stability and reliability. The reliability of a bank is its strength and the level of trust of the customers served in this bank. The financial stability of the bank is characterized by the usual ability to develop, for which a number of criteria can be distinguished, including the share of equity funds in the liabilities of the balance sheet, the profit from the bank's equity capital in the future, the stability of the customer base, etc.

A number of factors affecting the liquidity of a commercial bank should be noted:

- regarding the activity of a commercial bank: external, internal;
- in the direction of influence: negative, positive;
- by content: political, social, economic;
- duration of influence: permanent, force majeure situation;
- by manageability: regulated and unregulated.

Factors that often affect the liquidity of commercial banks are divided into two groups: external and internal. Through external factors, the external environment affects the activity of a commercial bank, internal factors operate at the bank level and are related to the bank's policy, change the bank's policy, and the influence of factors that lead to negative changes in liquidity can be limited. All factors affecting the liquidity of a commercial bank should be considered as a single system. Do not forget that external factors are not easily influenced by the bank, so it is necessary to pay more attention to internal factors, to influence them in order to reduce liquidity risk.

In our opinion, it is appropriate to analyze the factors affecting the liquidity of commercial banks grouped into internal and external factors.

The classification of the factors affecting it also confirms that bank liquidity management is a complex process.

Factors influencing the increase of bank liquidity risks require continuous monitoring. At the same time, at the expense of giving up commercial bank income, they try to ensure liquidity, or banks try to increase the share of assets and liabilities in high-quality liquid assets and non-financial deposits, while at the same time reducing financial domestic debts.

As banks deploy resources to generate income, they operate with the understanding that this process has a significant impact on bank liquidity. In other words, bank liquidity and profitability are inversely proportional to each other. The internal factors affecting the liquidity of banks include the bank's capital base, asset quality, deposit base, management level and quality, the state of the bank's balance sheet requirements and liabilities, the quality level of the securities and loan portfolio, the characteristics of the customer base, the bank's image, attracting funds from external sources. factors such as capabilities are involved.

Now we will try to analyze and evaluate the factors that significantly affect bank liquidity.

Bank capital serves to ensure the stability and reliability of its activity, and is the most important guarantee for the fulfillment of bank obligations and risk coverage. Therefore, customers in developed countries, when choosing a bank, pay special attention to the level of capitalization of the bank.

Usually, when a commercial bank goes bankrupt, its capital is directed to cover obligations to customers and founders. For this reason, the greater the amount of capital, the higher the solvency of the bank. It can be seen that the bank's capital base is one of the important internal factors affecting its liquidity.

At the same time, it should be remembered that a significant increase in illiquid assets in the composition of bank assets has a negative impact on the bank's liquidity. For example, if we look at the example of single loans, the increase in the weight of problematic loans in the structure of the bank's loan portfolio will have a sharp impact on the bank's liquidity. The reason for this is that as the weight of problem loans increases, the amount of provisions to cover the losses will also increase accordingly. This has a negative impact on the bank's resource capacity and ability to cover the increase in assets.

Also, the income-generating assets of a commercial bank are the main source of the bank's net profit and at the same time have an inverse relationship with the bank's liquidity. They include funds in other banks, investments in short-term government bonds, factoring, credit investments, bank reserves and investments for probable losses on loans. Nevertheless, bank managers should take into account the need to provide unexpected bank liquidity along with the development of a strategy aimed at ensuring high profits. Reserves are also formed to cover potential losses in the structure of capital, which, in turn, are carried to 100% cost, causing a decrease in bank profitability. At the same time, the new requirements of the Basel Committee on Banking Supervision envisage an increase in the reserves formed from net profit in the capital structure.

As of January 1, 2018, the total capital of commercial banks of our republic is 20,676.0 billion. Amounted to soum, in the same period of 2020 it increased by almost 2.4 times.

In our opinion, the most stable source of bank capital is the paid-up part of ordinary shares, in other words, increasing the amount of authorized capital serves to strengthen confidence in the national banking system and increase liquidity.

It should be noted that the level and quality of bank management are important internal factors affecting liquidity. In this case, it is important that the activity of the organizational unit

(committee) that continuously monitors liquidity, regularly forms a database for management decisions and prepares analytical reports within the organizational structure of the bank is effectively launched. Also, the fact that the bank has its own strategy for liquidity management, the necessary measures to ensure current, medium and future liquidity are determined, the level and qualification of managers, the application of corporate governance principles and the relationship between bank owners and managers are well established. serves to increase the quality.

Among the external factors affecting the liquidity of commercial banks, the stability of the economic and political situation in the country is considered important. Only if the economic and political situation in the country is stable, the necessary conditions for the expansion, development and effective operation of commercial banks will be created. At the same time, economic stability in the activity of commercial banks strengthens the confidence of foreign investors in the national banking system, creates the basis for achieving high international rating indicators of banks. In particular, it is important for commercial banks, along with other economic entities, to adhere to the principles of transparency and openness in the context of rapid changes in the economy.

Also, the degree of improvement of banking legislation in the country affects liquidity. Because if the legal basis of banking activity regulation is not strong, this situation may cause the problem caused by a deficiency in the activity of one commercial bank to spread rapidly to the entire banking system. Such problems can be solved by increasing the role of the corporate governance system in commercial banks.

A number of decrees and decisions of the President of the Republic of Uzbekistan, decisions and orders of our government, and several normative documents of the Central Bank of the Republic of Uzbekistan were adopted in order to further strengthen the stability of the banking system in our republic, to ensure the protection of the interests of depositors and creditors. In accordance with them, the issues of increasing the level of capitalization of commercial banks, expanding measures to attract free funds of the population and economic entities to bank deposits, increasing the investment activity of banks, in particular, strengthening their role in financing investment projects related to the modernization of production, technical and technological updating, in accordance with international norms, standards and evaluation indicators, it shows that the tasks of organizing banking activities, financial rehabilitation of insolvent enterprises and increasing participation in the restoration of production activities are being implemented. In particular, the decision of the President of the Republic of Uzbekistan dated September 12, 2017 No. PQ-3270 "On measures to further develop and increase the stability of the banking system of the Republic" was adopted. In this decision, it is emphasized that the measures taken to further develop the banking system, reform and strengthen the banking and financial system in our republic have made it possible to increase the level of capitalization of banks, expand the scope of lending to the economy, increase the spectrum of banking services provided, as well as increase the role of the banking system in the development of the country's economy. At the same time, attention is focused on the urgency of the tasks of fundamentally improving the working methods of commercial banks, strengthening the views of the population and economic entities on the banking system as a reliable institutional partner in order to further increase the quality of the provided banking services and establish full cooperation relations with business entities. In this decision, the Central Bank of the Republic of Uzbekistan conducted stress tests on the stability and adaptability of commercial banks in the context of the liberalization of the

domestic currency market, and as a result of their stress tests, a number of shortcomings were identified that had a negative impact on the financial position and currency positions of banks, and it was noted that their consequences had a negative impact on the liquidity of banks.

Based on the above, noting the influence of external and internal factors on the level of liquidity of commercial banks, the bank cannot limit the influence of external factors, therefore, it is necessary to pay more attention to the internal factors directly related to the activity of a commercial bank, because by managing them, they can reduce their negative impact on liquidity. Can be reduced. Otherwise, these factors lead to the emergence of liquidity risks, which lead to increased risks associated with the loss of the ability to quickly convert financial instruments into payment instruments or the involvement of additional liabilities.

Firstly, commercial banks regularly need external resources during their activities, which increase their dependence, and this condition, in turn, has a negative impact on bank liquidity. Usually, interbank loans are widely used for this purpose. However, the significant increase in the volume of interbank loans, in particular, the observation of the trend of growth in its volume, also indicates that there are some problems in ensuring liquidity in these commercial banks.

Secondly, the mutual compatibility of demands and obligations in commercial banks in terms of status, amount and term also had a significant impact on liquidity. In particular, it is appropriate to match the term and amount of assets of commercial banks with the term and amount of their liabilities. Therefore, bank managers must constantly analyze the composition of assets and liabilities and make timely decisions on making appropriate changes.

Thirdly, the number of financially stable customers of the bank, the profitability of their activities ensures the timely realization of the amount of cash funds transferred by them to the bank and, in turn, serves to ensure the bank's liquidity. In other words, commercial banks with stable customers will not have significant problems with cash supply. This serves as a basis for preventing liquidity problems in this bank.

Fourth, the level of development of the financial market in the country is one of the external factors affecting bank liquidity. For example, the development of the financial market, the increase in the types of products and instruments in it, provide banks with convenient opportunities for regulating and managing liquidity. Commercial banks can provide liquidity in soums and foreign currencies through operations on the financial market without significant financial losses.

In our opinion, the reforms and changes that are being carried out at the moment create a basis for further strengthening the financial position of our country's banks and ensuring their liquidity.

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